

Explanatory notes to the Consolidated Financial Statement of Herti JSC

For the period 01.01-31.03.2019

1. Important events, that took place in the period 01/01 – 31/03/2019

In March Herti successfully passed the recertification audit for BRC/IOP with the higher grade “A”.

In March Herti took part in the Carrer days in Varna and Ruse.

For the period Herti attended several trade shows: Unified Wine&Grape Symposium in Sacramento, Vinaria in Plovdiv and Prowein in Dusseldorf.

Herti participated in a large campaign for informing pupils in the primary school about the importance of wearing seat belts and sitting in special chairs at the back seats of the cars. Volunteers from the company made presentations before the children in classes and conferred on them the title “Inspectors on the seat belts”.

2. Risk reduction and Financial instruments

The functional currency of the Company is BGN. Most of the deals on the external market are conducted in EURO, which minimizes the currency risk. The contracted terms with the clients and suppliers give the Company the possibility not to be dependent on financial instruments such as hedging.

Having in mind the volatility of the prices of raw materials, specifically of aluminum, and the risk to the operating profit, the management works for increasing incomes and controls strictly the expenses and the cash flows and tries to optimize them.

3. Information on the transactions between the Company and related parties

For the period 01.01- 31.03.2019, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	528
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
IGM Holding	Expenses	1
Timshel OOD	Rent	20
Raifen OOD	Transport services received	208

4. There are no new considerable and important receivables or payables arisen for the period.

5. Responsibility of the Management

The management confirms that the financial statement for the first quarter of 2019 gives a fair and complete view of the financial position of the company and the risks it faces.

30 May 2019

Chief Executive Officer:

Zahari Zahariev

HERTI JSC
Consolidated Income statement

For the first quarter of 2019

In thousands of BGN

	31.3.2019	31.3.2018
Revenue	9 942	9 482
Other income	466	785
Carrying amount of materials and goods sold	-93	-1 054
Increase/(decrease) of inventories of finished goods and work in progress	504	1 636
Capitalised expenses		
Expenses for materials	-6 585	-6 380
Hired services	-644	-822
Depreciation and amortisation	-771	-656
Personnel expenses	-2 474	-2 379
Other operating expenses	-98	-235
Finance expenses	-62	-139
Share of profit/loss in associated companies	-7	3
Profit before tax	178	241
Income tax expense/income/		
Profit /Loss for the period	178	241
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	178	241

HERTI JSC
Consolidated Balance sheet

As at 31 March 2019

In thousands of BGN

	31.3.2019	31.12.2018
Assets		
Property, plant and equipment	25 161	25 697
Intangible assets	231	262
Investments	123	133
Total non-current assets	25 515	26 092
Related parties receivables	325	623
Inventories	6 675	6 644
Trade and other receivables	11 178	8 376
Cash and cash equivalents	296	1 116
Total current assets	18 474	16 759
Total assets	43 989	42 851
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	812	814
Retained earnings	2 388	2 222
Total Equity	15 243	15 079
Liabilities		
Interest bearing loans and finance lease	11 537	12 003
Deferred tax liabilities	808	809
Other (earned income)	421	437
Financing	1 760	1 816
Total non- current liabilities	14 526	15 065
Related party payables	281	267
Interest bearing loans and finance lease	5 805	5 854
Trade and other payables	7 893	6 340
Financing	241	246
Total current liabilities	14 220	12 707
Total liabilities	28 746	27 772
Total equity and liabilities	43 989	42 851

HERTI JSC**Change in equity - consolidated**

For the period ended 31 March 2019

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2019	12 014	29	432	382	2 222	15 079
Translations of financial statements of foreign companies						0
Revaluation of investments in associates			-2		-12	-14
Other transactions for the period						0
Current net profit/loss	-	-			178	178
Balance at 31 March 2019	12 014	29	430	382	2 388	15 243

HERTI JSC
consolidated Cash flow
For the first quarter of 2019
In thousands of BGN

	31.3.2019	31.3.2018
Cash flows from operating activities		
Cash receipts from customers	13 184	10 140
Cash paid to suppliers	-8 955	-7 094
Net cash flow for salaries and wages of personnel	-2 543	-2 559
Other payments from operating activities	-69	-39
Income taxes paid /received	-1465	-216
Cash from operating activities	152	232
Cash flows from investing activities		
Acquisition of property, plant and equipment	-357	-878
Proceeds from non-current assets		
Other proceeds/ payments from investment activities		-6
Cash from investing activities	-357	-884
Cash flows from financing activities		
Loans received	-502	634
Repayment of borrowings	-13	-481
Other financial payments/received		
Payment of finance lease liabilities	-100	-66
Interest paid		-107
Other financial payments	0	0
Cash from financing activities	-615	-20
Net increase in cash and cash equivalents	-820	-672
Cash and cash equivalents at 1 January	1116	987
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	296	315